COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HIGHLAND TELEPHONE   )
COOPERATIVE, INC. FOR A CERTIFICATE OF   )
PUBLIC CONVENIENCE AND NECESSITY TO   ) CASE NO. 89-210
CONSTRUCT IMPROVEMENTS TO THE STEARNS-   )
WHITLEY CITY EXCHANGE   )

O R D E R

On July 26, 1989, Highland Telephone Cooperative, Inc.
("Highland") applied for a Certificate of Public Convenience and
Necessity to construct improvements to the Stearns-Whitley City
exchange ("the exchange"). The application is granted.

Highland is a non-stock, non-profit membership cooperative
with its principal office in Sunbright, Tennessee. Highland
provides local exchange and toll telephone service through two
exchanges serving one county in Kentucky and eight exchanges
serving three counties in Tennessee.

On February 19, 1986, the Commission issued an Order in Case
No. 9399[1] granting Highland a Certificate of Public Convenience
and Necessity to construct additional telephone lines and other

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[1] Case No. 9399, The Application of Highland Telephone
Cooperative, Inc., Sunbright, Tennessee 37872, I. For an Order
Approving and Authorizing It to Borrow $1,373,284 from the
Rural Electric and Telephone Revolving Fund and Issue Its Note
and Mortgage or Other Security Instruments to Secure the Same.
II. For a Certificate of Convenience and Necessity to
Construct Additional Telephone Lines and Other Facilities.

facilities in Kentucky. In Case No. 9399, Highland indicated that outside plant cost studies had not been obtained for the two Kentucky exchanges, Stearns-Whitley City and Pine Knot. The costs were estimated using an average cost per new subscriber based on cost studies done for two exchanges in Tennessee. The Commission ordered Highland to file revised information on all Kentucky construction projects upon completion of a design study 6 months prior to beginning actual construction. Highland filed its application in this case to comply with the requirements of Case No. 9399.

DISCUSSION

The proposed design of the exchange is a combination of remote carrier and physical plant additions. The existing DMS-1 remote equipment and building on the B53-R route are utilized to peak capacity. Therefore, a second 128-line remote is being proposed. This unit will be located in a remote building due to its isolated nature and distance from the central office. The other part of this design is a fiber optic cable link from the Stearns-Whitley central office to each remote location. Because the existing facility is non-screened cable approximately 20 years old, this portion is responsible for most of the system's failures on the remote link. The remainder of the facility additions are physical plant. The cost of constructing the exchange will be $1,734,894 and will be funded by a loan from the Rural Electrification Administration ("REA"). In Franklin Circuit Court Civil Action No. 80-CI-1747, styled West Kentucky Rural Electric Cooperative Corporation v. Energy Regulatory Commission, the

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circuit court held that the Commission has no authority to approve or disapprove borrowings from the REA because the REA is an agency of the federal government. KRS 278.300 exempts loans from the federal government from Commission regulation.

The Commission having considered all evidence of record, and being otherwise sufficiently advised, finds that:

1. The exchange is needed to provide adequate and dependable service to existing and expected customers.

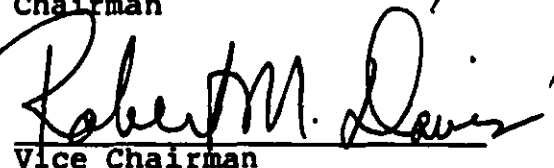2. The Commission is not empowered to approve or disapprove the financing of this construction.

IT IS THEREFORE ORDERED that Highland shall be and hereby is granted a Certificate of Public Convenience and Necessity to construct the Stearns-Whitley City exchange.

Nothing contained herein shall be construed as finding of value for any purpose or a warranty on the Commonwealth of Kentucky or any agency thereof as to the financing described herein.

Done at Frankfort, Kentucky, this 17th day of October, 1989.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

ATTEST:

Commissioner

Executive Director